

99-00994

TENNESSEE REGULATORY AUTHORITY

Lynn Greer, Chairman
Sara Kyle, Director
Melvin Malone, Director



January 4, 2000

RECEIVED
NASHVILLE
460 James Robertson Parkway
Nashville, Tennessee 37243-0505
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EXECUTIVE SECRETARY

Mr. Ware F. Schiefer
President
Piedmont Natural Gas Company, Inc.
P. O. Box 33068
Charlotte, NC 28233

Dear Mr. Schiefer:

To further the Staff's analysis of the reasonableness of the rates filed December 30, 1999 by Nashville Gas Company, we request that you furnish five copies of the information itemized in the attachment to this letter titled, Staff Request January 4, 2000.

Please comply with the following instructions for compiling the data requested:

1. Each copy of the data requested should be placed in a loose-leaf binder with each item tabbed. Each response should begin by restating the item(s) requested.
2. Where a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6.
3. Careful attention should be given to copied material to insure that it is legible.

If there is a need for clarification of any of the attached requests, please contact Michael Horne at (615) 741-2904, extension 174 before furnishing the response. Please furnish the requested information by January 18, 2000

Sincerely,

David Waddell
Executive Secretary

Pm99-84

Attachment

cc: Ted G. Pappas
Jerry W. Amos
Michael Horne
Legal Division

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NASHVILLE GAS COMPANY

STAFF REQUEST

January 4, 2000

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EXECUTIVE SECRET

GENERAL

1. Provide a comprehensive discussion of all abnormal conditions or changes in conditions that occurred between September 1, 1997, and the present such as changes in accounting treatment, etc. Your discussion should include, but not be limited to:
 - (a) Management changes.
 - (b) Operational changes.
 - (c) Administrative changes.
 - (d) Any recent or pending mergers, consolidations or acquisitions.
 - (e) Major changes in sales volumes.
 - (f) Changes in pipeline allocations.
 - (g) Labor contracts.
 - (h) Pending negotiations for any major change in sales volumes to any current or prospective commercial or industrial customer.
2. State the effect that each of the applicable changes discussed in Item 1 will have on the Company's revenues, expenses, rate base, and capital structure, as well as the Company's method of allocating each change among its regulated, unregulated, and jurisdictional operations.
3. Provide a current organizational chart for Nashville and Piedmont, showing Company officers and other key personnel, the departments they head, and to whom they report, from department level or office up.
4. Provide copies of the annual stockholders reports of Piedmont for the years 1997 and 1998. Also, provide the 10K reports for 1997 and 1998, and the 10Q's for each quarter of 1999.
5. Provide a current chart of accounts.
6. Provide copies of any Rate Orders issued by other states in which Piedmont operates since September 1, 1997.
7. Provide copies of any employment and termination, etc. contracts Piedmont and Nashville currently have or have had with management personnel since September

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1, 1998. Indicate if any of these contracts call for separation payments. Also indicate any separation payments paid for each individual terminated from Nashville or Piedmont's management since September 1, 1993.

8. Provide a fiscal and calendar year end 1998 balance sheet and income statement and a fiscal year end 1999 balance sheet and income statement for each of the three states the Company operates in. Provide an explanation of the differences of these reports to the stockholder's annual report, and the Company's internal financial statements for Tennessee.

REVENUES AND PURCHASED GAS (Excluding M&J)

9. Provide the following information regarding the Company's 25 largest customers:
 - (a) Sales by month for 1997, 1998, and 1999. If possible, please provide this information on diskette.
 - (b) Any correspondence with these Companies as to their anticipated usage in 2000 and 2001.
10. Provide the number of customers added by customer classification by month for the 24 month period ended August, 1999.
11. Provide the gas sales summaries by month, for the 24 month period ended August, 1999. Include the step volume information for the appropriate rate classifications.
12. Provide the number of billing cycles per month, the identity of any specific groups of customers billed on a particular cycle, and the normal read and bill dates during the month for each cycle.
13. Provide a copy of all weather normalization workpapers.
14. Provide a copy of any usage and growth trends and any other adjustments used to project revenues.
15. Provide a comparative analysis of heating costs for a residential customer using current electric and gas rates. For purposes of this comparison, assume a 2,400 square foot house. For the gas furnace analysis, assume an AFUE of 78%. For the electric heat pump, assume an HSPF of 6.8. If you believe these assumptions are unrealistic, please state your reasons, and provide a further analysis with the Company's own assumptions. Provide backup for any additional assumptions used in the analysis.

EXPENSES (Excluding M&J, Taxes, and Purchased Gas)

16. For accounts 700 through 932, show the gross and net expense after deducting salaries and wages, by month from September 1, 1997, through August 31, 1999.
17. Provide a schedule of employees for the 12 months ended August 31, 1999, identifying them as part or full time, and the account to which their compensation is charged. Also, indicate whether the employees are salaried or hourly. Identify the regular, overtime and total hours worked during the test period. Also identify the regular and total earnings during the test period. For those employees working only a partial year, give dates of employment. Identify pay rates at August 31, 1999 and the projected amount and date of raises through the attrition year. Where appropriate, show the allocation of compensation between states and non-regulated operations. Also indicate any anticipated changes in employment levels during 2000 and 2001.
18. Provide a schedule showing by month, from September 1, 1997, through August 31, 1999, identifying the amount and the percentage of total payroll capitalized on a total Company and Tennessee only basis.
19. Provide a description of each type of service that employees of Piedmont perform for Nashville operations.
20. Provide detailed workpapers supporting the calculation of the Life Insurance expense, Long-Term Disability, Hospitalization expenses, and other miscellaneous employee insurance expenses. For the attrition period show the total and capitalized amount.
21. Does the Company have a written policy regarding bonuses or Stock Options? If so, please provide a copy of this policy. Were any bonuses or options actually paid or redeemed in the 12 months ended August 31, 1999? If so, please provide a schedule of employees, showing the amount paid and the basis of the calculation.
22. Provide an insurance schedule for the 12 months ended August 31, 1999, identifying the policies in effect, the type of coverage, the coverage period, the annual premiums, the amount included as an expense, the account charged, the beneficiaries, and the allocation used. Also provide the above information for those policies currently in effect and any anticipated changes in policies in 2000 and 2001.
23. Provide a detailed analysis of advertising expense for the 12 months ended August 31, 1999. Provide and discuss the Company's projected advertising expense for 2000 and 2001. Identify for the test period and attrition period, the amount of advertising as follows:
 - (a) Institutional

- (b) Conservation
- (c) Promotional
- (d) Informational
- (e) Promotional for the sale of appliance.

- 24. Provide the following items concerning the rental of any equipment or other property:
 - (a) Lease Agreements.
 - (b) Amount of expense for 12 months ended August 31, 1998 and 1999.
- 25. Provide a schedule identifying all directors, meetings attended, and the amount of director's fees attributable to each for September 1, 1997, through August 31, 1999.
- 26. Provide a copy of the Company's cost allocation study.
- 27. Explain the calculation and provide workpapers concerning the Company's expense growth factor. Please break this down between inflation and customer growth components.
- 28. Provide a schedule showing by employee the number of trips made from/to Nashville and Charlotte for the 12 months ended August 31, 1999. Also show the date, cost of each trip and the nature of each trip.
- 29. Provide the amount of direct and allocated charges to Nashville Gas Company from Piedmont Natural Gas by account for the 12 months ended August 31, 1998 and 1999. Also, show the total amount of charges incurred by Piedmont Natural Gas for the same periods.

TAXES

30. Provide copies of the following tax returns or tax statements:
- (a) Tennessee Gross Receipts tax returns for 1996-97, 1997-98 and 1998-99.
 - (b) Tennessee Franchise and Excise for 1997, 1998 and 1999.
 - (c) Property tax statements for 1997, 1998 and 1999.
 - (d) Employer's Quarterly federal Tax Returns (Form 941), for each quarter of 1998 and 1999.
 - (e) Employer's Annual Federal Unemployment Tax Return (Form 941), for 1997, 1998 and 1999.
 - (f) Employer's Quarterly Contribution Report to the Tennessee Department of Employment Security for each quarter of September 1997 through August 1999.
31. Provide the following Federal Income Tax data for Tennessee operations for the 12 months ended December 31, 1997, 1998 and 1999:
- (a) Operating federal income taxes deferred-accelerated depreciation.
 - (b) Federal income taxes-operating.
 - (c) Income credits resulting from prior deferrals of federal income taxes.
 - (d) The amount of Investment Tax Credits realized and the amount amortized split between Pre-1971 and Post-1970.
32. Provide a reconciliation of book to taxable income and calculation of the federal income tax expense on a total company and Tennessee only basis for the 12 months ended December 31, 1997 and 1998.

RATE BASE (Excluding Working Capital)

33. Provide by account number for the 12 months ended August 31, 1996, 1997, 1998, and 1999, monthly plant additions and retirements. Please break down plant additions into normal or special projects defined as follows:

Normal construction requirements should be considered to include the needs created through normal system expansion such as serving residential areas, shopping areas, old home conversions, replacements of tool and work equipment, transportation equipment, etc.

Special construction requirements should be considered to arise from extensive replacement of old facilities which cannot be foreseen, major expansion projects such as industrial parks, system improvements such as change from low pressure to high pressure required because of changing delivery patterns, and changes required by governmental action such as street improvements and relocation's, community and neighborhood development, bridge replacements, etc. These requirements should be considered to be outside the control of the Company.

34. Identify by account for the 12 months ended August 31, 1996, 1997, 1998, and 1999 the salvage and cost of removal for retirements.
35. Break down 1999, 2000 and 2001 budgeted plant additions between normal and special project using the criteria defined in Item 32 above. Provide sufficient details of individual projects as to date of inception and completion, and methods of financing. Also, identify those plant additions for 1999 which have already been incurred. Basic assumptions underlying budgets should also be submitted including the assumptions for sales volumes.
36. Identify all special projects for 1999, 2000 and 2001 using the criteria defined in Item 32 above by work order number and estimated cost. Please provide a signed authorization for each special project and identify the planned starting and completion dates.
37. For the 12 months ended August 31, 1996, 1997, 1998, and 1999, identify any contributions in aid of construction resulting from special projects.
38. Describe the Company's budgeting process including, but not limited to the following:
- (a) How far in advance are operating and construction budgets prepared?
 - (b) How many views or updates of the same budget year are made before a final view is adopted?
 - (c) Are budgets prepared on a monthly, quarterly, or annual basis?

- (d) Which individual or department has overall responsibility for budgets?
 - (e) Once a final budget has been adopted, are budget to actual comparisons routinely made on a monthly or annual basis?
 - (f) Provide copies of budget to actual comparisons for 12 months ended August 31, 1998 and 1999 on a total Company and Tennessee only basis.
39. Provide a trial balance at August 31, 1998, and 1999, along with the adjusting entries and post-closing balances. Also provide a trial balance at the fiscal year end in 1999.
40. Provide schedules showing the development of the average Tennessee account balances listed below for 12 months ended August 31, 1999.
- (a) Gas plant in service.
 - (b) Construction work in progress.
 - (c) Inventories.
 - (d) Deferred debits.
 - (e) Reserves.
 - (f) Customer Deposits
 - (g) Interest on customer Deposits.
 - (h) Contributions in aid of construction.
 - (I) Pre-1971 Unamortized Investment Tax Credit.
 - (j) Accumulated Deferred FIT.
 - (k) Accumulated Depreciation.
 - (l) Accounts payable applicable to CWIP.
 - (m) Accounts payable applicable to Materials & Supplies.
 - (n) Customer Advances.
 - (o) Materials and Supplies.
 - (p) Accounts Receivable - Other
 - (q) Prepaids.
41. Provide an explanation and calculation of the method used to allocate to Tennessee, the Piedmont General Office portions included in Item 39 above.
42. Provide the investment, accumulated depreciation, and deferred FIT on all property that is owned by Piedmont and leased or allocated to Nashville.

WORKING CAPITAL

43. Provide a copy of the lead-lag study workpapers.
44. Provide a description of Company policy with respect to maintaining minimum cash balances.
45. Provide the percentage of the sample tested to the total test period dollar amount for each account in the lead-lag study.
46. Provide a comparison of the lead-lag study used in this case with the study used in the previous case and explain any major changes.

MERCHANDISE & JOBBING AND OTHER UNREGULATED OPERATIONS

47. Explain the nature and extent of each of the Company's non-regulated operations including M&J, CNG and Flamegas activities.
48. Provide an income statement and balance sheet for all non-regulated operations. For each year, identify each class of revenue separately (appliance, propane sales, etc.). The information should include the following data for the 12 months ended August 31, 1998 and 1999:
 - (a) The direct expense incurred by each operation.
 - (b) The general office expense (Nashville and Charlotte) allocated to each operation.
49. Provide a complete explanation and calculation of how costs were allocated to non-utility operations in the test year and attrition period.

COST OF CAPITAL

50. Provide a calculation of total Company and Parent only debt, equity capital and the debt and equity ratios for 1998 and 1999. Show long and short term debt, preferred stock, and common equity separately.
51. Provide a calculation of the average composite interest cost for the long-term debt and short-term debt for 1998 and 1999.
52. Provide a schedule identifying the following for the Company and the Parent from September 1, 1997 through August 31, 1999, and adjust for any stock splits:
 - (a) Primary earnings per share.
 - (b) Fully diluted earnings per share.
 - (c) Dividends per share.
 - (d) Book value per share.
 - (e) High market price for the year.
 - (f) Low market price for the year.
 - (g) Average market price for the year.
53. Provide a schedule identifying the date and amount of each common stock dividend paid since September 1, 1997. Include any announced future dividend payments and adjust for any stock splits.
54. Provide the following data for any stock issued by the Company or the Parent that have occurred since August 31, 1997.
 - (a) Date of issues.
 - (b) Number of shares.
 - (c) Proceeds per share.
 - (d) Price per share to public.